

**NYE-DT 36**

## APA - New Permian Resource Play Dubbed "Alpine High"

Sentiment Indicator : **positive**

Produced by Hanold, Scott (RBC Capital Markets, LLC) on Wednesday, September 07, 2016, 08:47 AM ET

Disseminated on Wednesday, September 07, 2016, 08:54 AM ET

In a press release and an extensive corporate presentation overview released this morning, Apache Corporation (APA) announced the discovery of a new Permian Basin resource play ("Alpine High") that targets the Barnett and Woodford formations. The company also increased 2016 capital spending by \$200 million to \$2 billion with over 25% earmarked to Alpine High. Management plans to operate at least 4-5 rigs to the acreage into 2017.

Management has drawn a comparison with Alpine High to the wet Marcellus, condensate Eagleford, and SCOOP plays. However, the company thinks Alpine High is advantaged with better geology including lower clay content, higher porosity, and greater thickness.

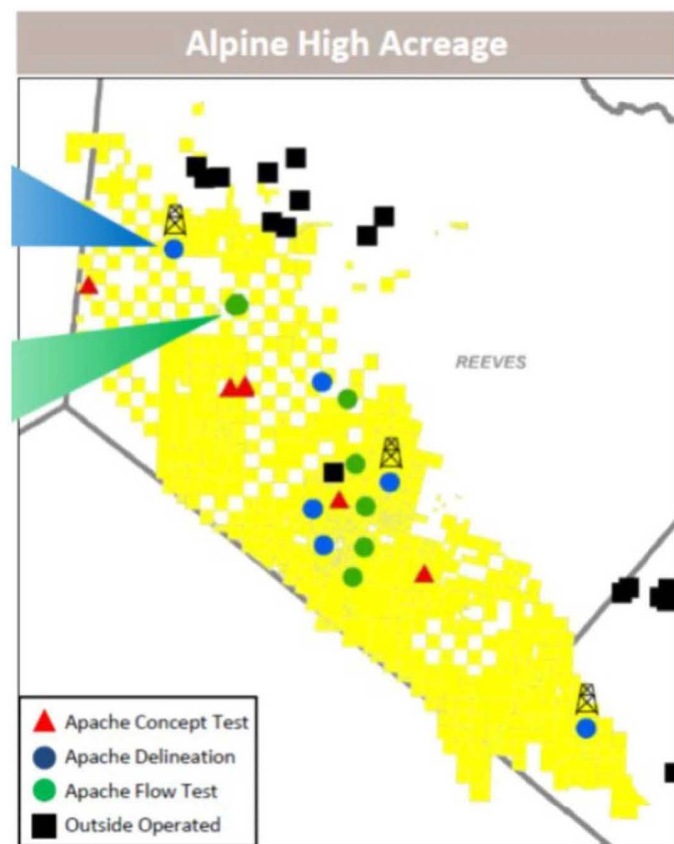
APA had accumulated its 307,000 net acres over the past 18 months at a cost of just \$1,300/acre. The company has drilled 19 wells with 9 currently producing. The seven targeting the Woodford and Barnett have average 24-hour IP rates of 9 MMcf/d (88% gas-2 stream). The gas has a high Btu content (1,300) and NGL extraction is estimated at 135-140 bbl/Mcf. There were also wells drilled to the oilier Bone Spring (Third) and Wolfcamp that showed strong initial promise but the data and delineation is limited at this point.

We expect this announcement to generate a significant amount of investor interest. For APA it has the potential to be a major long-term growth development. We think the market may need to see longer-term well performance and returns given the gassier aspect of the production stream.

### Alpine High Discovery Overview

- Alpine High is located in the Southern Delaware Basin in Reeves County and APA estimates the resource potential of 75 Tcf of wet gas and 3 Bboe of oil in the Woodford and Barnett formations alone.
- The geological setting is a Paleo High.
- The resource includes 4,000-5,000 feet of stacked pay in up to five formations, including the Bone Spring, Wolfcamp, Pennsylvanian, Barnett, and Woodford.
- There are more than 2,000-3,000+ identified locations in the Woodford/Barnett formations alone targeting wet gas and oil. Pre-tax NPVs range from \$4-\$20 million per well at \$50/bbl (WTI) and \$3/Mcf (HH).
- The Woodford and Barnett are able to support a six-rig development program for 20+ years.
- 19 wells have been drilled so far. Nine wells are producing in limited quantities because of infrastructure constraints.

Exhibit 1. APA Alpine High Acreage



Source: Company Reports

Company Name	Exchange	Ticker	Rating	Risk Qualifier	Price Target	Currency	Price	Price Date
Apache Corporation	NYSE	APA	Sector Perform	Not Assigned	60.00	US Dollar	51.67	07 Sep 2016 07:24:14 ET

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